

GOVERNMENT



UTAH FACTS



G O V E R N M E N T

State government sets priorities that are important to the well-being of its citizens and the performance of its economy. Investments in infrastructure, such as education and transportation, are fundamental state government responsibilities. But one of the most prominent policy issues facing state government is generating revenue.

Utah's favorable growth rate and conservative approach to government spending help guarantee that citizens get full value for the taxes they pay.

C A P I T A L P R O J E C T S

The state of Utah enjoys a AAA bond rating and is fiscally sound. Prominent financial experts agree that Utah's fiscal stability is exemplary among the states.

Utah's outstanding AAA-rated bonds finance state buildings, parks, highways, water development and management projects, and other infrastructure improvements and additions.

G O V E R N M E N T H I G H L I G H T S

Utah businesses pay no inventory or worldwide unitary taxes.

The corporate franchise tax in Utah is a relatively low 5% of net taxable income.

Utah ranks above average in per capita spending for both public education and higher education.⁸

Utah offers One-stop shopping for environmental permitting through the Department of Environmental Quality.

U T A H I N T H E I N T E R N A T I O N A L M A R K E T P L A C E

Utah products and services are changing the way the world does business. Utah software helps administer health care in London, perform word processing in Dubai, and maintain computer networks in Japan; Utah brine shrimp are food for pet fish and Utah rocks line aquariums in China; Utah copper and gold are used in motherboards and computer chips in Asia; Utah boarding ramps assist air passengers in Russia; Utah mining equipment digs in South America; and Utah agriculture technology aids food production in China and Mexico, Table 1.

For more information contact International Business Development, Utah Division of Business and Economic Development, 324 South State Street, Suite 500, Salt Lake City, Utah 84111, (801) 538-8737, or see their web site at: www.utahtrade.com.

MAJOR UTAH DIRECT EXPORTS THIRD QTR. 2000

TABLE 1

Markets	Millions	Products	Millions
Canada	\$ 484	Primary Metal Industries	\$ 632
Switzerland	427	Transportation Equipment	493
Japan	305	Electronic Equipment	288
United Kingdom	209	Industrial Machinery	256
Netherlands	118	Instruments	200
South Korea	112	Food, kindred Products	147
Philippines	79	Chemicals	130
Mexico	79	Bituminous Coal, Lignite	89
Germany	79	Special Classifications	77
Ireland	77	Misc. Manufacturers	60

Source: ERG2001 – US Bureau of the Census, Massachusetts Institute for Social and Economic Research.

Note: Data is for January 1 through September 1, 2000.

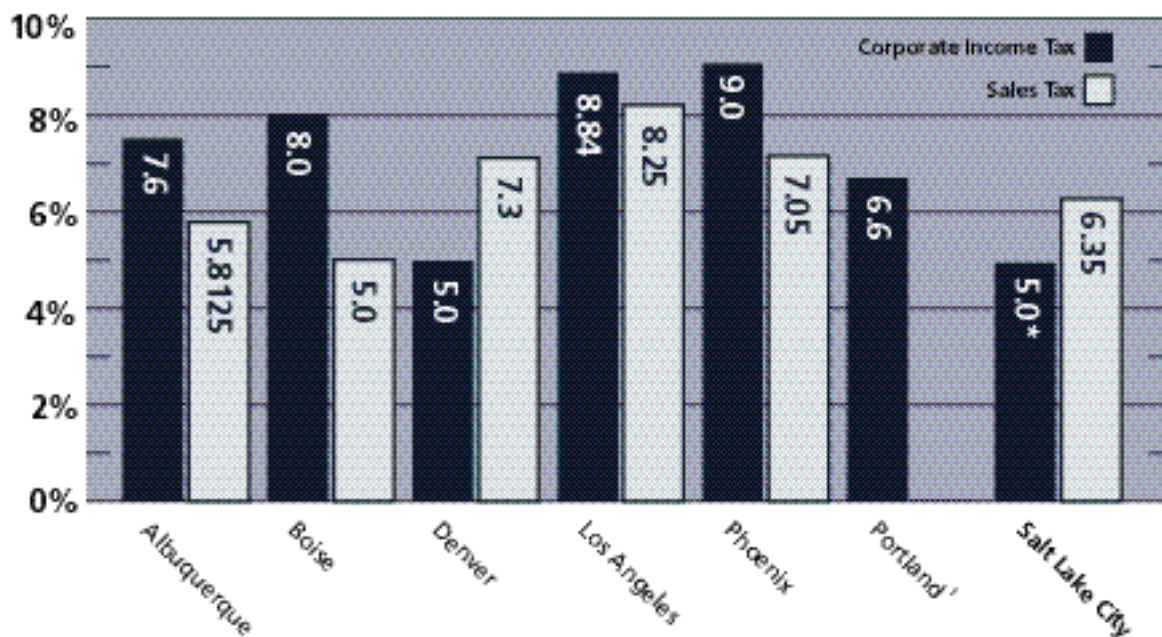
DEPARTMENT OF ENVIRONMENTAL QUALITY

While keeping one eye on economic development, Utah officials also keep the state's environmental quality and public health in view. The Department of Environmental Quality (DEQ) has created one-stop shopping for businesses through Pre-design Conferences. These conferences bring together the various environmental bureaus within DEQ to help business planners design facilities that meet state requirements before notices of intent are filed.

For more information, contact Office of Policy, Planning and External Affairs, Utah Department of Environmental Quality, 168 North 1950 West, P.O. Box 144810, Salt Lake City, Utah 84116, (801) 536-4480.

COMPARISON OF CORPORATE INCOME TAX AND SALES TAX RATES SELECTED WESTERN CITIES AS OF JULY 1, 1999

CHART 1



¹ Has no sales tax

* Includes local option

Source: Utah Foundation, Statistical Review of Government in Utah, 1999.

UTAH TAX STRUCTURE, 1999

TABLE 2

TITLE AND LEGAL CITATION	YEAR FIRST ENACTED	BASIS OF TAXES	RATES		ALLOCATION OR USE
General Property 59-2-101 to 1372	1849	State and locally assessed commercial and personal property at 100% and locally assessed primary residential property at 55% of "fair market value." Farmland assessed according to agricultural value.	Rate varies in each local area. During 1997, total rate averaged 1.25% of property valuation. Motor Vehicle Fee (exempt from ad valorem tax) based on age of vehicle; less than 3 yrs. \$150, 3 to 5 yrs. \$110, 6 to 8 yrs. \$80, 9 to 11 yrs. \$50, older \$10.		School districts, municipalities, counties, and special service districts.
State Sales and Use 59-12-101 to 120	1933	Retail sales or use of tangible personal property, admissions, meals, services on personal property, hotel, motel, laundry and dry cleaning.	4.75% of purchase price; 2% of power and fuel for residential.		To General Fund, except 1/64 earmarked for Utah Sports Authority until 12/31/99. Beginning 1/1/2000, 1/64 to Centennial Highway fund;
59-12-1201	1997	Motor Vehicle Rental Tax	2.5% on short term leases and rentals.		To Transportation Corridor Preservation Revolving Loan Fund.
Local Option Sales and Use 59-12-201 to 205	1959	1. County, City	1. 1% of purchase price		1. Returned to local unit according to formula;
59-12-301 to 302 & 901 to 902	1965	2. Transient Room	2. Up to 3% (counties) or 1.5% (municipal) of defined accommodation charges;		2. To county or city where collected.
59-12-401 to 402	1988	3. Resort Communities	3. Up to 1.5% of purchase price additional:		3. To city where collected.
59-12-501 to 503	1974	4. Public Transit	4. Up to 1/4% for transit and 1/4% for fixed guide way		4. To county for Transit District.
59-12-601 to 603	1990	5. Tourism, Recreation & Convention Facilities	5. Up to 3% on car rentals, up to 1% on prepared restaurant foods and beverages, up to 1/2% on room rentals.		5. Returned to local unit for tourism promotion & convention facilities development.
59-12-701 to 704	1993	6. Botanical, Cultural & Zoological Organizations	6. 1/10% on purchase price		6. To county organizations by formula.
59-12-801 to 803	1993	7. Rural County & City Hospitals	7. Up to 1% of purchase price.		7. To county or city for hospitals
59-12-1001 to 1002	1997	8. Highway Tax	8. Up to 1/4% in municipalities without a transit district.		8. To municipality for highway maintenance.
59-12-1101 to 1102	1997	9. County Option Sales and Use	9. 1/4% if one-time property tax reduction taken.		9. To the county.
59-12-1301 to 1302	1998	10. Town Option Sales and Use	10. 1% if town had a gross receipts tax before 1/1/96.		10. To the town.
Municipal Energy Sales and Use 10-1-301 to 310	1996	Out-of-state purchases of taxable energy within a municipality.	Up to 6%		To the municipality.
Individual Income 59-10-101 to 901	1931	Taxable income as determined for federal income tax purposes with downward adjustments for interest on U.S. government securities, one-half of the federal taxes paid, and designated retirement income and upward adjustments for 25% of the federal personal exemption allowances and state income taxes deducted on federal return.	<u>Income</u> First \$1,500 Next \$1,500 Next \$1,500 Next \$1,500 Next \$1,500 Next \$7,500	<u>Married Filing Jointly</u> 2.55% 3.50% 4.40% 5.35% 6.00% 7.00%	To Uniform School Fund; distributed to local school districts under minimum school program.
Corporation Franchise 59-7-101 to 805	1931	Net income allocable to State (special gross receipts tax for certain exempt corporations).	5% of net taxable income. Minimum tax for state banks and corporations is \$100.		To Uniform School Fund; same as above.
Gross Receipts 59-8-101 to 106	1980	In-lieu excise tax on gross receipts of corporations, other than religious or charitable, not required to pay income or franchise taxes.	<u>Gross Receipts</u> Under \$10 million \$10 million to \$500 million \$500 million to \$1 billion More than \$1 billion	<u>Rate</u> None 0.8613% 1.3214% 1.7520%	To Uniform School fund distribution same as above.
Gross receipts on Electrical Corporations 59-8a-101 to 106	1995	Electrical Corporations	<u>Gross Receipts</u> Under \$10 million \$10 million to \$500 million \$500 million to \$1 billion More than \$1 billion	<u>Rate</u> None 0.2363% 0.3544% 0.4725%	To Uniform School fund distribution same as above.
Unemployment Insurance Tax 35-4-1 to 26	1936	First \$17,800 of wages paid to each employee during the calendar year, based on a benefit ratio charge-back experience rating system.	0.4% to 8.0% of taxable payroll depending on unemployment experience.		To Unemployment Compensation Fund; used to pay unemployment benefits.

UTAH TAX STRUCTURE (CONTINUED)

TABLE 2

Motor Fuel 59-13-201 to 212	1923	Gallons of motor fuel sold or used.	24.5 cents per gallon. Clean fuels (as defined) taxed at 3/19 of this rate.	To Transportation Fund, 75% for state highways and 25% for local roads.
Aircraft Fuel 59-13-401 to 403	1923	Gallons of fuel for airplane use.	4 cents per gallon.	25% for aeronautics administration. 75% to airports.
Special Fuel 59-13-301 to 320	1941	Gallons of fuel used to propel motor vehicles except fuel subject to motor fuel tax law.	24.5 cents per gallon.	To Transportation Fund, 75% for state highways and 25% for local roads.
Motor Vehicle Registration Fee 41-1a-1206 to 1207	1909	Motorcycles, private autos, house trailers, manufacturers, transporters, dealers, and wreckers – flat fees. Motor vehicles, trailers, and semi-trailers used for transportation of passengers or property – unladen weight of vehicle.	Private motor vehicles – \$21 plus \$1 insurance database fee; motorcycles – \$22.50 plus \$5 education fee and \$1 insurance database fee; small commercial trailers (under 750 lbs.) – \$8.50; trailers over 750 lbs. – \$11; farm trucks up to 12,000 lbs. – \$21; farm truck over 12,000 lbs. – \$30 plus \$8 for each 2,000 lbs. up to 80,000 lbs. and \$1 insurance database fee; Vehicles over 12,000 lbs. – \$49.50 plus \$18.50 for each additional 2,000 lbs.	To Transportation Fund, 75% for state highways and 25% for local roads.
Drivers License Fee 53-3-105 to 106	1933	Operators & Commercial Drivers Licenses	Operators License \$20 for those aged 16-20, \$15 for those aged 21-64, \$12 per extension by mail ages 16-64, \$3 per extension and \$5 per renewal ages 65 & over, \$7.50 motorcycle endorsement, \$5 taxicab endorsement. Commercial Drivers License – written test \$30, skills test \$50, \$5 each CDL endorsement.	To Transportation Fund, 75% for state highways and 25% for local roads.
Automobile Driver Education 41-1a-1204 to 1205	1957	Fee is charged upon each motor vehicle registered – collected at time of registration.	\$2.50	For driver education program.
Nonresident Commercial Vehicles Registration 41-1a-301	1951	Interstate commercial vehicles operating in Utah must pay (1) fee based on proportional mileage driven in the state or (2) secure a temporary permit.	(1) Proportional part of registration fee for commercial vehicles (must also pay proportional part of property tax on vehicles); (2) \$20 for single units and \$40 for multiple units.	To Transportation Fund. Allocated for state and for local road purposes.
Oil Recycling Fee 19-6-714 to 716	1993	First sale of lubricating oil except sales shipped out of state, purchased in small containers for mining, or in bulk containers of 55 gallons or more.	\$.04 per quart	General Fund, Used Oil Collection Administration Account
Tire Recycling Fee 26-32a-101 to 113	1990	On each new tire purchased from a retailer.	\$0.50 on tires up to and including 24.5 inches.	Waste tire recycling fund.
Mining Severance Tax 59-5-201 to 215	1937	Gross value of metaliferous ore sold or disposed of – \$50,000 exempt.	2.6% of taxable value.	To General Fund, portion of revenue deposited in permanent school fund.
Severance Tax on Oil, Gas and Mining 59-5-102 to 119	1955	Gross amount received or gross value of gas and oil sold – \$50,000 exempt.	3% to 5% depending on the price of oil or natural gas, 4% on natural gas liquids.	To General Fund.
Oil and Gas Conservation Fee 40-6-14 to 14.5	1955	Oil and gas produced, saved, sold or transported from the production site.	0.2% of the value at the well.	To General Fund for the Division of Oil, Gas, and Mining.
Cigarette and Tobacco 59-14-101 to 508	1923	1. Cigarettes weighing less than 3 lbs. per 1,000. 2. Cigarettes weighing more than 3 lbs. per 1,000. 3. All tobacco products except cigarettes.	1. 51.5 cents per package of 20; 2. 64.375 cents per package of 25; 3. 35% of manufacturer's sale price.	To General Fund – \$250,000 each year to Cigarette Tax Restricted Account for "tobacco prevention & control targeted for children."
Cigarette License Fee 59-14-201 to 203	1923	Each place of business selling cigarettes or cigarette papers.	\$30.00 initial fee, \$20.00 renewal fee due every three years.	To General Fund.



UTAH TAX STRUCTURE (CONTINUED FROM PAGE 35) TABLE 2

Insurance Premiums 59-9-101 to 106	1896	Total premiums less returned premiums, reinsurance premiums, and dividends paid.	2.25% with credits for property taxes and examination fees paid in Utah or 1. For Title Insurance – 0.45% 2. For Motor Vehicle Insurance other than for physical damage, an additional 0.1% (2.26% total) 3. For Workman's Compensation insurance – 1% to 8%.	To General Fund; 50% of tax on fire insurance premium and 10% tax on life insurance premiums for firemen's pensions.
Inheritance 59-11-101 to 115	1901	Taxable estates as defined by IRS.	Amount of credit allowed against Federal Estate Tax as determined on Federal Form 706.	To General Fund.
Liquor Control Profits 32A-1-101 to 124	1901	Profits from operation of state monopoly.	Price determined by State Liquor Control Commission. Markup may not be less than 61% for distilled spirits and wines.	Transfer to General Fund appropriations made to cities and counties for various purposes.
School Lunch (Liquor Excise) 59-16-101	1943	Retail sales of wines and distilled liquors.	13% of purchase price.	For school lunches.
Beer Tax 59-15-101 to 109	1935	Barrels of beer (consisting of 31 gallons) sold, imported, distributed or consumed in Utah.	\$11 per barrel.	To General Fund.
Emergency Services Telephone Charge 69-2-5	1998	Each telephone access line subject to the 911 emergency services charge.	\$0.07 per month.	University of Utah Poison Control Center
Public Utilities Regulation Fee 54-5-1.5 to 4	1935	Gross operating revenue for preceding calendar year, excluding income from interstate business.	Established by tax commission maximum rate 0.3%; minimum tax – \$50.00.	To Public Service Commission.

Source: Utah Foundation, Statistical Review of Government in Utah, 1999.

UTAH PROPERTY TAX VALUATIONS

TABLE 3

Property Tax Valuation as Percent of Market Value

Type of Property	Valuation Multiplier
Primary Residential Property	55%
Other Real Property	100%
Personal Property	100%

Source: Utah State Tax Commission.

T A X E S

A corporation in Utah benefits from a broad-based tax structure and a favorable income tax rate, Chart 1. Utah businesses pay no inventory tax or worldwide unitary tax. The tax structure is outlined in Table 2. Property tax valuation is consistent within the state of Utah, as shown in Table 3. Property tax rates vary within the state. Table 4 shows 1999 property tax rates in selected major cities. The weighted average is 1.172%.

PROPERTY TAX RATES - SELECTED UTAH CITIES 1999 TABLE 4			
City	Property Tax Rate	City	Property Tax Rate
American Fork	.011245	Orem	.010976
Beaver	.009591	Price	.012750
Bountiful	.011427	Provo	.011231
Brigham City	.010090	Richfield	.011376
Cedar City	.012814	Roy	.013760
Clearfield	.012584	St. George	.011230
Layton	.012535	Salt Lake City	.014948
Logan	.010159	Sandy	.014326
Moab	.010967	Tooele	.013069
Murray	.010478	Vernal	.011838
Nephi	.012042	West Valley City	.014790
Ogden	.017876		

To calculate property tax, multiply assessed valuation by above rate.

Source: Utah State Tax Commission, Selected Utah Cities and Towns, Tax Rates for 1999

U N E M P L O Y M E N T C O M P E N S A T I O N T A X

Employers in Utah are subject to a state unemployment tax. The proceeds are used to finance benefit payments to unemployed workers. The tax is based on employees' earnings with the rate depending on several factors, including annual and quarterly payroll stability and the age of the firm. Wage base information and rates for Utah and other Western states are shown in Table 5.

In lieu of being assigned the standard rate, new employers in Utah may use their employment experience for prior fiscal years in the state from which they moved to compute their Utah tax rate.

**UNEMPLOYMENT INSURANCE TAX RATE
TAXABLE WAGE BASE & PREMIUM COSTS
WESTERN STATES, 1999**

TABLE 5

State	1998 Average % of Taxable Wages	1999 Taxable Wage Rate	Average Annual Employee Premium
Utah	0.8	\$19,400	\$155
Arizona	1.3	\$7,000	\$91
California	3.0	\$7,000	\$210
Colorado	1.1	\$10,000	\$110
Idaho	1.4	\$23,600	\$330
Montana	1.3	\$17,100	\$222
Nevada	1.4	\$18,600	\$260
New Mexico	1.3	\$14,200	\$185
Oregon	2.1	\$23,000	\$483
Washington	2.3	\$24,300	\$559
Wyoming	1.4	\$13,100	\$183

Source: Expansion Management, July 1999, page 10
U.S. Dept. of Labor, Employment & Training Administration, Unemployment Insurance Service

W O R K E R S C O M P E N S A T I O N T A X

Workers compensation rates in Utah are generally lower than the rates in most other states. Employers in Utah may choose among three methods of insurance coverage for workers compensation: The Workers Compensation Fund of Utah (a quasi-public, nonprofit agency), a private insurance carrier or, upon approval of the Industrial Commission, self-insurance. The workers compensation rates paid by employers depend on the claim-loss experience of the particular industry. Table 6 shows a sampling of workers compensation rates per \$100 of payroll. For guaranteed rates, a company should contact an underwriter directly.

WORKERS COMPENSATION RATES - UTAH 1999

TABLE 6

Code ¹	Industry	Rate \$100 Payroll
2003	Food Processing - Baking	1.63
3400	Metal Goods Manufacturing	2.35
3632	Machine Shop	2.10
3681	Computer Boards	1.23
4279	Paper Goods Manufacturing	1.94
4299	Printing	1.31
4410	Rubber Goods Manufacturing	2.38
4484	Plastic Injection Molding	1.94
7380	Drivers	3.38
8291	Warehousing Storage	3.20
8742	Sales	.40
8810	Clerical	.24
9014	Custodian	4.34

¹ National Council of Compensation Insurance (NCCI) job code.
Source: Workers Compensation Fund of Utah, unpublished data, 1999



E N T E R P R I S E Z O N E S

In order to spur economic development in distressed communities and counties, the legislature has established a special Enterprise Zone program. Within these zones, a manufacturing, information technology, warehousing or recycling firm that creates new jobs or invests in a new plant or equipment is eligible for state corporate franchise tax or personal income tax credits.

A credit of \$750 is allowed for each new full-time position that has been filled for not less than six months during a given tax year, or \$500 if the position pays 125% of the average non-agricultural payroll wage for the industry. An investment tax credit of 10% of the first \$250,000 in investment and 5% of the next \$1 million investment in plant and equipment is also available.

Other incentives include a \$750 tax credit for new jobs which add value to agricultural commodities through manufacturing or processing, a \$200 credit for each new employee insured under an employer-sponsored health insurance program (in which the employer pays at least 50% of the premium), a tax credit of 50% (not to exceed \$100,000) contributed to a nonprofit economic development organization and 25% of the first \$200,000 spent rehabilitating a vacant building.

Tax credits must be claimed by the business within three years of the year they are earned. Also, 51% of the company's employees must live in the county or city where the Enterprise Zone is located, at the time they are hired. Construction jobs, retail business and public utilities are not eligible to claim tax credits.

Benefits are available for companies within targeted industries that move into, start up or expand within an Enterprise Zone. However, benefits are not available to firms which relocate jobs and facilities to an Enterprise Zone from elsewhere in Utah.

For additional information about Enterprise Zones, contact The Department of Community & Economic Development, Jonnie Wilkinson, 324 So. State Street, Suite 500, Salt Lake City, UT 84111, (801) 538-8782. For additional information regarding Enterprise Zone Tax Credits, contact the State Tax Commission, Kim Ferrel, at 210 North 1950 West, Salt Lake City, Utah 84134, (801) 297-4634.



STATE TAX COLLECTIONS

TABLE 7

Cash Collection Unrestricted Revenues
(Millions of Current Dollars): FY 1999 and FY 2000

General Fund	1999	2000
State Sales and Use Taxes	1316.4	1369.6
Liquor Profits	26.9	28.7
Insurance Premiums	47.7	52.2
Beer, Cigarette, Tobacco Taxes	60.0	58.0
Severance Taxes	13.1	23.0
Inheritance Tax	8.2	64.6
Investment Income	15.0	19.5
Other Fines, Fees	38.3	41.0
Circuit Breaker Credits	(5.3)	(4.4)
General Fund Subtotal	1,520.4	1,652.2
School Fund		
Individual Income Taxes	1463.9	1654.9
Corporate Franchise Tax	184.3	179.6
School Land Income	0.0	0.0
Permanent Fund Interest	6.8	2.4
Gross Receipts Tax	7.9	7.3
Other	7.6	8.5
School Fund Subtotal	1670.5	1852.8
Transportation Fund		
Motor Fuel Taxes	224.7	237.6
Special Fuel Taxes	73.7	76.6
Other	58.5	65.0
Transportation Fund Subtotal	356.9	379.1
Mineral Lease Payments	31.5	39.6
TOTAL	3,579.2	3,923.7

Source: Economic Report to the Governor, January 2001.



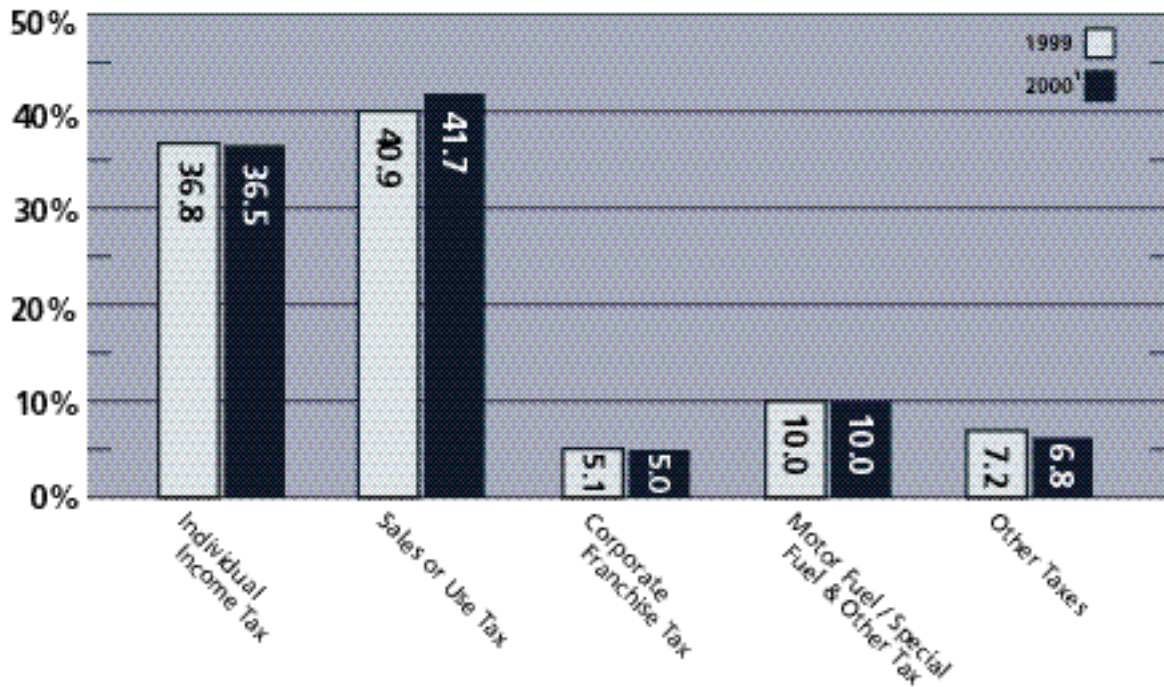
STATE AND LOCAL TAX REVENUES

Major funds supporting state government include individual income taxes, sales and use taxes, corporate franchise taxes and motor fuel taxes, Chart 2. Sales tax revenues go into the General Fund, from which general government operations are financed. Individual income and corporate franchise taxes go into the Uniform School Fund, which supports the educational infrastructure system, Table 7. In fiscal year 2001, revenue growth is expected to remain strong, due mainly to the rebound in individual income tax and corporate tax collection.

For more information regarding tax collection issues, contact Auditing Division, Utah State Tax Commission, 210 North 1950 West, Salt Lake City, Utah 84134, (801) 297-4600.

STATE FUND SOURCES
UTAH, FISCAL YEAR 1999 & 2000

CHART 2



¹ estimated

Source: Table 7